

Message Text

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41

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 COME-00 TRSY-02 CIEP-01 OMB-01

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 3031

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL MILAN

AMCONSUL NAPLES

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E.O. 11652: N/A

TAGS: EFIN, ECON, IT

SUBJECT: LA MALFA ON THE ECONOMY

REF: A. ROME 12383; B. ROME 12732

1. IN CONVERSATION WITH THE AMBASSADOR SEPTEMBER 10 COVERING BOTH ECONOMIC AND POLITICAL TOPICS (SEE SEPTTEL), DEPUTY PRIME MINISTER LA MALFA PAINTED A PESSIMISTIC PICTURE OF ITALY'S ECONOMIC SITUATION AND OUTLOOK. NOTING SERIOUS STRUCTURAL PROBLEMS FACING ITALY, LA MALFA SAW LITTLE PROSPECT FOR IMPROVEMENT, AT LEAST IN NEAR TERM. HE EXPLAINED THAT HIS LETTER TO PRIME MINISTER MORO (REF A) COVERING THESE PROBLEMS HAD BEEN INTENDED PRIMARILY AS A SIGNAL TO LABOR OF THE NECESSITY FOR IT TO LIVE UP TO ITS RESPONSIBILITIES, AND WAS BY NO MEANS INTENDED AS CRITICISM OF MORO.

2. EXPANDING ON THE ROLE OF LABOR, LA MALFA EXPRESSED CONCERN ABOUT THE FORTHCOMING ROUND OF WAGE CONTRACT NEGOTIATIONS. HE SAW LITTLE EVIDENCE OF MORE RESPONSIBLE THINKING ON THE PART OF EITHER LABOR LEADERS OR THE RANK AND FILE, PARTICULARLY
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ON THE QUESTION OF THE RELATIONSHIP BETWEEN WAGES AND PRO-

DUCTIVITY. ACCORDING TO LA MALFA, THE ATTITUDE OF LABOR WILL ALSO DIRECTLY AFFECT ITALY'S ABILITY TO REDUCE ITS PUBLIC DEBT. IN THE ABSENCE OF AT LEAST A YEAR OF LABOR TRANQUILLITY, HE SAID, THIS WILL NOT BE POSSIBLE.

3. ON THE OTHER HAND, LA MALFA EXPRESSED OPTIMISM RE PROSPECTS FOR PARLIAMENTARY ACTION ON ANTI-RECESSION PACKAGE (REF B). HE BELIEVES THAT WHILE PACKAGE WILL UNDOUBTEDLY ENGENDER SOME DEBATE, PASSAGE WILL COME REASONABLY QUICKLY AND WITH MINIMUM OF AMENDMENTS.

4. COMMENT: WHILE LA MALFA IS PESSIMISTIC BY NATURE, HIS PESSIMISM SEEMED MORE PRONOUNCED THAN USUAL ON THIS OCCASION.

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Message Attributes

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